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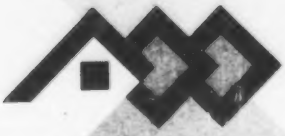

Homeowner
Protection Office

Performance Plan

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2001 - 2004

As of September 30, 2000

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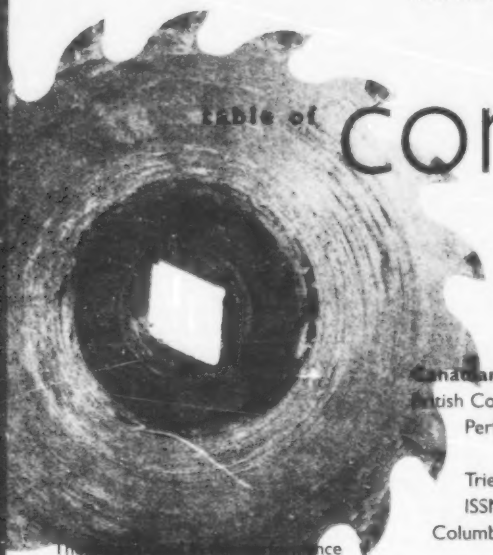

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January 29, 2001

The Honourable Garde B. Gardom
Lieutenant-Governor of the Province of British Columbia

As the Minister of Social Development and Economic Security and the Minister Responsible for Housing, it is an honour to present to you the first performance plan of the Homeowner Protection Office for the years covering 2001–2004.

Sincerely,

Michael Farnworth

Mike Farnworth
Minister of Social Development and Economic Security and
Minister Responsible for Housing

Homeowner Protection Office

January 29, 2001

Honourable Mike Farnworth
Minister of Social Development and Economic Security and
Minister Responsible for Housing
Province of British Columbia

Minister,

In response to the requirements set out in the new Budget Transparency and Accountability Act, I am pleased to submit to you the first performance plan for the Homeowner Protection Office.

Sincerely,

Russ Pratt
Chairperson

reconstruction

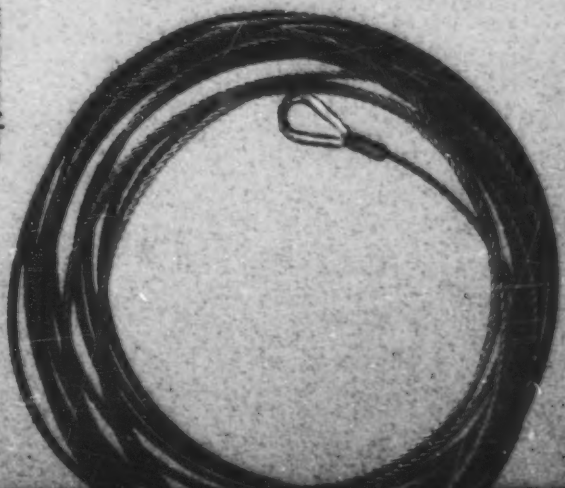
reconstruction program

research and education

research

licensing and warranties

licensing



Homeowner Protection Office

101-05387/

Mission	• Increase consumer protection for homeowners and homebuyers • Improve the quality of residential construction in British Columbia		
Inputs	Financial resources, trained staff, facilities		
Programs	Licensing and Warranty	Research and Education	Financial Assistance
Strategies and Activities	• Introduction, compliance and monitoring of licensing and warranty insurance regulations for new residential construction and building envelope renovations • Mediation regulations for residential construction disputes implemented • Education requirements planned for licensing	• Building science research projects initiated • Technology transfer to construction industry • Consumer information disseminated • Provincial Advisory Council on Homeowner Protection formed	• No-interest repair loan applications received • PST Relief Grant applications received for completed building envelope repairs • Advice on financial assistance provided to homeowners
Outputs	• 2,185 residential builders and 16 building envelope renovators licensed • Public registry of builders and renovators on Web site • 8,132 new homes and building envelope renovations covered by home warranty insurance • Increased compliance • Public list of new homes planned	• Building science studies underway • Publications and seminars for consumers and industry available • Provincial Advisory Council advising the HPO • Repair process seminars attended by 1,100 people • 200+ one-on-one sessions for strata owners given • 28,700 people served by 1-800 line • 74,000 visits to Web site	• 4,244 homeowner loans approved totaling $90 million • 18 co-operative housing loans approved (932 units) totaling $32 million • $1.3 million in PST Relief Grants approved
Outcomes Immediate	• Creation of "level playing field" for builders • Builders must meet minimum standards • Consumers protected by an insurance product • Insurance companies require financial stability and quality construction from builders • Construction disputes mediated	• Consumer information and assistance available • Research projects set framework for construction improvements • Increased awareness of construction and consumer protection issues	• Homeowners keep homes who otherwise might have lost them • Availability of financial assistance facilitates more rapid approval of repairs • Only viable, long-term repair solutions selected
Intermediate (Goals)	• Increasing licensing standards improves quality of construction • Greater number of consumers benefit from licensing and warranty insurance requirements • Homes with premature building envelope failures repaired – value adjusted	• Consumers able to make more informed decisions • Results of building science studies communicated to industry – construction quality increases • Reduced occurrence of construction defects	• Increased value in repaired homes • Fewer repair loan applications anticipated over time • Loans repaid
Ultimate (Strategic objectives)	• Homeowners and homebuyers better protected • Improvement in the quality of residential construction • Consumer confidence in residential construction industry restored		

As of September 30, 2000

Executive Summary

Crown corporation

EXECUTIVE SUMMARY

This document is both a performance review and plan for the Homeowner Protection Office (HPO). The September 30, 2000 report date marks the two-year anniversary of the office.

The *Homeowner Protection Act* was introduced to increase consumer protection for homeowners and bring about an improvement in the quality of residential construction. The *Homeowner Protection Act* provides for the establishment of the Homeowner Protection Office, a provincial Crown corporation. The HPO's program areas include: licensing of residential builders, setting the standards for and monitoring the third-party home warranty insurance system, a research and education function in the areas of consumer information and building science, and financial assistance for owners of leaky homes.

As of the September 30, 2000 performance plan date, the requirements for residential builder licensing and mandatory, third-party home warranty insurance had been in place for 15 months. The requirements for licensing and mandatory warranty insurance for building envelope renovations were implemented on the report date. Over 2,000 builders have been licensed and five approved private home warranty insurance providers ensure competition in the market place and options for builders. Minimum requirements created by this new system has brought about an immediate increase in consumer protection and an improvement in the quality of residential construction.

The HPO has been active in providing consumer information for both homeowners and homebuyers. Information sessions for owners of leaky homes create opportunities to learn about the repair process and obtain details about the financial assistance available to affected homeowners. Publications and speaking engagements held specifically for homebuyers give consumers the tools they need to gather the necessary information to make more informed purchasing decisions. Research, education and training initiatives for the residential construction industry are underway and will increase the quality of residential construction over the long-term.

The demand for financial assistance for owners of leaky homes has been strong over the past two years. The HPO has approved over 4,200 no-interest repair loans for homeowners and leaky housing co-operatives totaling $122 million. A PST Relief Grant program for completed building envelope renovations was introduced in September 1999 and has provided an added $1.3 million in financial assistance to homeowners. This program will provide an estimated $28 million over five to seven years. Strong demand for these financial assistance programs is anticipated to continue.

The HPO has identified some challenges it will face in the future which include compliance issues regarding owner-built homes that are exempt from the licensing and home warranty insurance requirements, a low number of housing starts which can restrict the HPO's performance because it is self-funded primarily through licensing fees and a possible increased licensing function.

In its first two years of operations, the team at the Homeowner Protection Office has made significant progress toward its objectives to protect consumers and bring about an improvement in the quality of residential construction. Through continued efforts to be responsive, fair and accountable, the HPO will work with homeowners, the industry and other groups to successfully deliver its programs.

increased consumer protection

performance plan

Strategic Foundation

The Homeowner Protection Office's vision, mission and values form the basis of our operational planning, implementation and maintenance of our program areas.

Our Vision

A responsive Crown corporation leading an improvement in the quality of residential construction and increased homeowner protection in British Columbia.

vision

Our Mission

mission

To restore confidence in British Columbia's residential construction industry by:

- *Administering the residential builder licensing system*
- *Establishing the framework for and monitoring the mandatory, third-party home warranty insurance system*
- *Maintaining a research and education function to benefit the residential construction industry, homeowners and homebuyers, and*
- *Providing financial assistance to owners of leaky homes.*

Our Values

We are guided by our commitment to:

- *Integrity*
- *Fairness*
- *Responsiveness*
- *Accountability, and*
- *Teamwork*

values

CORPORATE OVERVIEW

The Homeowner Protection Office (HPO) is a provincial Crown corporation formed as a response to the recommendations from the June 1998 Barrett Commission report on the quality of condominium construction in British Columbia. The report prompted the development of the *Homeowner Protection Act* which was passed on July 28, 1998 for the main purposes of strengthening consumer protection for new homebuyers and improving the quality of residential construction in the province. The *Act* provided for the creation of the Homeowner Protection Office which officially opened on October 1, 1998.

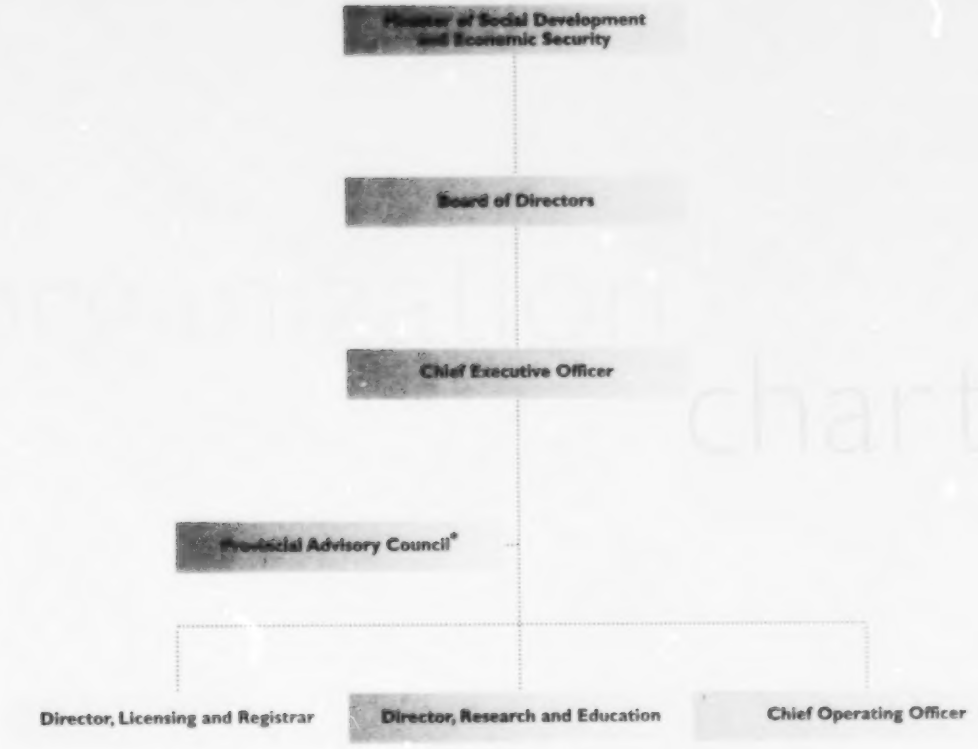
The HPO is responsible for:

- residential builder and building envelope renovator licensing and establishing the framework for and monitoring the mandatory, third-party home warranty insurance system
- a research and education function designed to benefit the residential construction industry and consumers, and
- administering a no-interest repair loan program and PST Relief Grant program for owners of leaky homes.

Key clients of the HPO are homebuyers, homeowners including owners of leaky homes and the residential construction industry. In undertaking its activities the HPO works with warranty insurance providers, architects, engineers, property managers, the legal community, research organizations, building inspectors, governments including local governments and the Canada Mortgage and Housing Corporation (CMHC), real estate professionals and financial institutions.

The HPO is self-funded primarily from builder license fees. The research and education component is funded from contributions from sector organizations and from builder licensing fees. The Government of Canada through the CMHC provides a contribution to the reconstruction program equal to fifty percent of the reconstruction program expenditures net of interest revenue. The Homeowner's Reconstruction Loan Program expenditures are expected to total about $108 million. The total contribution from the Government of Canada will not exceed $27.7 million. The PST Relief Grant program is administered on behalf of the provincial government on a cost recovery basis. The funds borrowed from government for operations and the loan program will be repaid over an expected 10-year period.

Homeowner Protection Act



Key Responsibilities of HPO Officers

Director, Licensing and Registrar

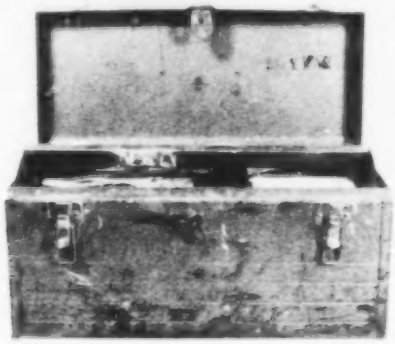
- license residential builders and building envelope renovators
- maintain registry of licensed builders
- ensure compliance with licensing standards and regulations
- collect license fees

Director, Research and Education

- support building science research
- support consumer and industry education
- advise government and City of Vancouver on amendments to building code
- support the establishment of guidelines for "best practices" for building

Chief Operating Officer

- administration of HPO
- manage the Reconstruction Fund and PST Relief Grant
- financial management of HPO including annual financial statements
- Board administration



* The Provincial Advisory Council on Homeowner Protection provides policy advice to the CEO relating to the *Homeowner Protection Act* and operation of the HPO.

ENVIRONMENTAL SCAN

The Homeowner Protection Office has identified key external factors which may impact its performance to increase consumer protection and bring about an improvement in the quality of residential construction.

exemption

Owner-Builder Exemption Abuse: Regulations for new residential construction which came into force on July 1, 1999 exempt owner-builders from licensing and mandatory home warranty insurance requirements. Although the regulations stipulate that only individuals building a detached dwelling for their own personal use are eligible for the exemption once in any 18-month period, land owners and unscrupulous builders are abusing the system to avoid the licensing and warranty requirements put in place to protect consumers. Currently, about 40% of all building permits issued for detached dwelling units are for owner-built homes. The HPO's monitoring and enforcement efforts indicate that an estimated 35% of these applications for owner-builder exemptions may not comply with the *Homeowner Protection Act*. Abuse of the owner-builder exemption results in:

- inadequate consumer protection (an estimated 35% of detached homes are built without meeting the requirements for licensing and warranty)
- unfair competition for licensed builders who play by the rules
- smaller underwriting pools for home warranty insurance providers, which can result in higher premiums for coverage, and
- less financial resources available for the administration of the consumer protection regulations because licensing fees are not being collected.

The HPO has increased its compliance efforts and revised the owner-builder exemption application process to reduce the occurrences of abuse. However, legislative changes will likely need to be implemented to significantly cease this illegal activity.

Low Number of Housing Starts: The Homeowner Protection Office is self-funding primarily through licensing fees. A low number of housing starts results in fewer licensed builders and less fees collected to monitor and ensure compliance with the regulations for both new home construction and building envelope renovations. A low level of revenue also restricts the performance of other program areas of the Homeowner Protection Office such as building science research and consumer information programs.

Demand for No-interest Repair Loans: In the first two years of operation, the HPO approved no-interest repair loans totaling $122 million in financial assistance. The demand for this program continues to be quite strong and is anticipated to exceed the initial estimated demands for the program. The HPO pays the interest on the repair loans on behalf of the homeowners which, through the course of this 10-year program, is anticipated to total about $108 million. The funds for the interest payments on the loans come from a $750 fee charged to builders for each multi-unit home constructed in the same geographic areas where leaky condos exist. Given the current low level of housing starts, the HPO must continue to rely on bridge financing to meet the demands of the program.

challenges

Demand for Building Envelope Renovations: Given the high number of building envelope renovations required over a relatively short period of time and the seasonal nature of the work to be performed, the demand for repairs may exceed the supply of both licensed building envelope renovators backed by home warranty insurance and building envelope consultants. Delays in repairs to wood-frame buildings can result in higher repair costs for homeowners and create further demand on the HPO's no-interest loan program.

Expanded Licensing Function: The *Homeowner Protection Act* provides for the future licensing of sub-contractors and renovators in addition to the licensing requirements already in place for residential builders and building envelope renovators. A recent discussion paper on the future licensing of strata managers in the province also includes an option for a regulatory framework under the HPO. If any additional licensing functions are to be administered by the HPO, an expansion commensurate to the corresponding licensing, monitoring and compliance requirements would be necessary. Although the HPO is ultimately self-funding primarily through the collection of licensing fees, bridge financing to meet any necessary start-up costs may be required.

opportunities

warranty

compliance efforts

monitoring efforts

licensed builders

FINANCIAL PLAN 2001–2004

The budget presented below as Table 1 represents the forecast of revenue and expenditures of the HPO for 2000/2001 through 2003/2004.

The budget has been developed with two main constraints in mind. First, the HPO must be self-sustaining from its own revenues. Consequently, the forecast of builder license fees, new construction and building envelope renovation activity, as shown in Table 2, determines the limit on the funding available to operate the HPO's programs other than the Reconstruction Program which provides financial assistance.

Second, the Reconstruction Program must provide financial assistance to all eligible homeowners. Consequently, as shown in Table 3, the Reconstruction Program is expected to generate deficits in the first few years when demand for no-interest loans is greatest. By 2002/2003, once the majority of the leaky homes have been repaired and the demand for new loans decreases, the Reconstruction Program is expected to generate annual surpluses. Over a ten-year period, the program will generate sufficient surpluses to make payments on the loan from the Province and prepare for the retirement of the outstanding loan liabilities.

The HPO's research and education function is funded by builder license fees and contributions from sector organizations. Given the low level of housing starts and unrenewed contributions from sector organizations, the HPO is currently investigating alternate and additional sources of funding for this program. An increase in the number of housing starts and a corresponding increase in builder licences is expected over time with the largest yearly increase anticipated in 2002/2003.

Table 1: Homeowner Protection Office Budget Forecast 2001-2004

Builder license fees	$ 1,456	$ 1,610	$ 2,330	$ 2,488
Provincial contribution for PST program	2,905	5,165	3,905	3,905
Interest	225	75	39	77
Reconstruction Loan Program	14,310	15,197	13,537	13,478
Licensing & registrar	886	1,224	1,179	1,182
Finance & administration	594	717	720	722

*The non-cash accounting entry required to amortize deferred payment loans appearing on the balance sheet of the HPO.

budget forecast

Table 2: Residential Builder Licensing and Construction Activity Forecast

The financial plan is based on the following forecast for licensing and construction activity for both new home construction and building envelope renovations in British Columbia.

Number of residential builder licence renewals ($500 fee)	1,105	1,200	1,610	1,555
Number of new homes constructed and subject to $750 fee	3,706	5,000	13,000	14,000

licensing and construction

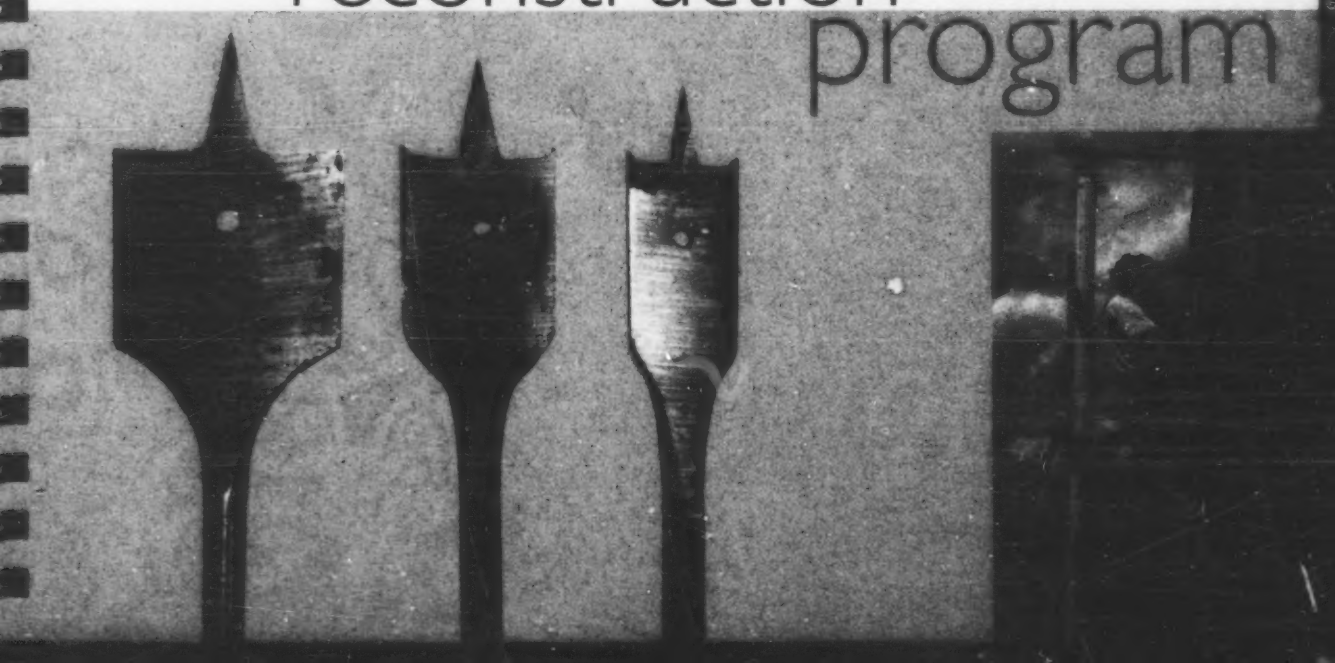
Table 3: Reconstruction Program

The financial plan is also based on the following forecast for the Reconstruction Program over the anticipated 10-year life of the program.

10-Year Forecast
($ Millions)

Total Expenditures	($ 5.2)	($ 14.3)	($ 15.2)	($ 13.5)	($ 13.4)	($ 12.0)	($ 10.8)	($ 9.5)	($ 8.0)	($ 6.4)
Total Loans Outstanding	$ 27.9	$ 94.3	$ 150.3	$ 163.6	$ 164.7	$ 148.2	$ 131.7	$ 115.2	$ 98.7	$ 82.2
Indemnified Third-party Debt	$ 35.1	$ 102.5	$ 135.4	$ 129.3	$ 122.7	$ 110.6	$ 98.5	$ 86.5	$ 74.4	$ 62.3

reconstruction program



FINANCIAL PLAN 2001–2004

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The budget has been developed with two main constraints in mind. First, the HPO must be self-sustaining from its own revenues. Consequently, the forecast of builder license fees, new construction and building envelope renovation activity, as shown in Table 2, determines the limit on the funding available to operate the HPO's programs other than the Reconstruction Program which provides financial assistance.

Second, the Reconstruction Program must provide financial assistance to all eligible home owners. Consequently, as shown in Table 3, the Reconstruction Program is expected to generate deficits in the first few years when demand for no-interest loans is greatest. By 2002/2003, once the majority of the leaky homes have been repaired and the demand for new loans decreases, the Reconstruction Program is expected to generate annual surpluses. Over a ten-year period, the program will generate sufficient surpluses to make payments on the loan from the Province and prepare for the retirement of the outstanding loan liabilities.

The HPO's research and education function is funded by builder license fees and contributions from sector organizations. Given the low level of housing starts and unrenewed contributions from sector organizations, the HPO is currently investigating alternate and additional sources of funding for this program. An increase in the number of housing starts and a corresponding increase in builder licences is expected over time with the largest yearly increase anticipated in 2002/2003.

Table 1: Homeowner Protection Office Budget Forecast

	2000/2001 Forecast ($000's)	2001/2002 Budget ($000's)	2002/2003 Budget ($000's)	2003/2004 Budget ($000's)
Revenue				
Builder license fees	$ 1,456	$ 1,610	$ 2,330	$ 2,488
Reconstruction fee	2,780	3,750	9,750	10,500
Provincial contribution for PST program	2,905	5,165	3,905	3,905
Federal contribution for loan program	7,542	6,771	6,506	6,732
Interest	225	75	39	77
Loan discount recoveries *	228	382	423	424
Total Revenue	**15,136**	**17,753**	**22,953**	**24,126**
Expenditures				
Reconstruction Loan Program	14,310	15,197	13,537	13,478
PST Relief Grant Program	2,898	5,165	3,905	3,905
Licensing & registrar	886	1,224	1,179	1,182
Research & education	332	393	394	395
Finance & administration	594	717	720	722
Total Expenditures	**19,020**	**22,696**	**19,735**	**19,682**
Surplus (Deficit)	**($ 3,884)**	**($ 4,943)**	**$ 3,218**	**$ 4,444**

*The non-cash accounting entry required to amortize deferred payment loans appearing on the balance sheet of the HPO.

budget forecast

Table 2: Residential Builder Licensing and Construction Activity Forecast

The financial plan is based on the following forecast for licensing and construction activity for both new home construction and building envelope renovations in British Columbia.

	2000/2001	2001/2002	2002/2003	2003/2004
Number of new residential builder licences ($600 fee)	1,089	1,100	1,500	1,600
Number of residential builder licence renewals ($500 fee)	1,105	1,200	1,610	1,555
Number of new homes constructed and subject to $25 fee	10,000	14,000	25,000	30,000
Number of new homes constructed and subject to $750 fee	3,706	5,000	13,000	14,000

licensing and construction

Table 3: Reconstruction Program

The financial plan is also based on the following forecast for the Reconstruction Program over the anticipated 10-year life of the program.

	10-Year Forecast ($ Millions)									
	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	Total
Total Revenue	$ 0.9	$ 10.7	$ 11.0	$ 16.7	$ 17.7	$ 11.1	$ 11.0	$ 11.0	$ 10.9	$ 10.9	$ 111.9
Total Expenditures	($ 5.2)	($ 14.3)	($ 15.2)	($ 13.5)	($ 13.4)	($ 12.0)	($ 10.8)	($ 9.5)	($ 8.0)	($ 6.4)	($108.3)
Surplus (Deficit)	($ 4.3)	($ 3.7)	($ 4.2)	$ 3.2	$ 4.4	($ 0.8)	$ 0.2	$ 1.5	$ 2.9	$ 4.5	$ 3.6
Total Loans Outstanding	$ 27.9	$ 94.3	$ 150.3	$ 163.6	$ 164.7	$ 148.2	$ 131.7	$ 115.2	$ 98.7	$ 82.2	
Reconstruction Fund Balance	$ 1.4	$ 1.3	$ 0.6	$ 1.3	$ 2.2	$ 1.0	$ 1.0	$ 0.4	$ 0.2	$ 0.0	
Indemnified Third-party Debt	$ 35.1	$ 102.5	$ 135.4	$ 129.3	$ 122.7	$ 110.6	$ 98.5	$ 86.5	$ 74.4	$ 62. 3	
Due to Province	($ 10.0)	($ 15.0)	($ 19.0)	($ 17.0)	($ 14.0)	($ 14.0)	($ 14.0)	($ 12.0)	($ 9.0)	($ 4.0)	

reconstruction program

Licensing and Warranty

As of September 30, 2000

	LICENSING	WARRANTIES
Strategies and Activities	• Establishment, compliance and monitoring of licensing system for new home construction and building envelope renovations • Ensuring compliance with and monitoring of owner-builder exemption from licensing requirements • Response to public and industry information inquiries • Education requirements planned	• Establishment, compliance and monitoring of the third-party home warranty insurance system • Ensuring compliance with and monitoring of owner-builder exemption from home warranty insurance requirements • Response to public and industry information inquiries
Outputs	• 2,185 residential builders and 16 building envelope renovators licensed • Public registry of licensed builders and building envelope renovators on Web site • 8,132 new homes and building envelope renovations covered by home warranty insurance • Increased compliance • Residential construction dispute mediation regulations introduced • Public list of new homes planned	• Homes built by licensed builders and building envelope renovations covered by home warranty insurance • 5 insurance companies approved to provide home warranty insurance • Owner-built homes covered by statutory protection • Complaints and non-compliance addressed • Home warranty disclosure initiatives introduced
Outcomes Immediate	• Builders must meet minimum standards • Creation of "level playing field" for builders • Builders more accountable • Builder and owner-builder activity monitored • Non-compliance cases result in compliance and penalties • Public access to builder information • Profile of licensed builders helps identify future training needs • Construction disputes mediated	• Consumers protected by insurance product • Insurance companies require quality construction from builders • Insurance companies reject high-risk builders (can't get licensed) • Building envelope renovations must be long-term solutions • Building envelope renovation warranties prevent consumer-funded multiple repair attempts • Regulations require prompt repair of defects
Intermediate (Goals)	• All residential builders become licensed • Homes with building envelope failures repaired – value increases • Education and training program developed	• Greater number of consumers protected by warranty insurance • Improved construction yields fewer claims • Claims resolved and monitored • Insurance positively impacts resale values • Home warranty disclosure initiatives increase consumer awareness
Ultimate (Strategic objectives)	• Consumers better protected • All new homes have third-party warranty insurance or statutory protection • Improved quality of residential construction • Renewal of confidence in residential construction industry	

Strategies and Activities

The *Homeowner Protection Act* provides for licensing and mandatory, third-party home warranty insurance requirements for new home construction and building envelope renovations. The regulations for new home construction were implemented on July 1, 1999 which requires all residential builders to be licensed by the Homeowner Protection Office and provide home warranty insurance prior to obtaining a building permit. In geographic areas where building permits are not required, licensing and arrangements for home warranty insurance must occur prior to the commencement of construction. On September 30, 2000, similar regulations were brought into force requiring contractors who act as building envelope renovators to be licensed by the HPO and provide home warranty insurance on building envelope renovations.

Province-wide information sessions on the requirements for licensing and home warranty insurance as well as on-going assistance available through the HPO's 1-800 information line have increased the awareness of these new consumer protection regulations.

The Homeowner Protection Office has been monitoring the licensing requirements since these regulations were brought into force to ensure consumers are protected. In future years, it is anticipated that education and training will become an added requirement for licensed residential builders and building envelope renovators. The HPO will work closely with the industry to develop these requirements and the most effective methods to disseminate new technology.

Outputs

As of September 30, 2000, the date the building envelope renovation regulations were implemented, the HPO had licensed 2,185 residential builders and 16 building envelope renovators. A daily-updated public registry of licensees is available on the HPO Web site.

In addition to the licensing and registration staff located at the HPO, four compliance officers work full-time in the field. These officers conduct site visits throughout the province to ensure compliance to the consumer protection regulations. Non-compliance cases, which most often involve false owner-builder exemptions from licensing and warranty, are investigated and penalties are issued when applicable. Offences under the *Homeowner Protection Act* carry penalties upon conviction of up to $25,000, up to one year of imprisonment or both for individuals. Penalties for corporations can be up to $100,000, up to one year of imprisonment or both.

In May 1999, regulations for the mediation of residential construction disputes was passed. This regulation is retroactive and allows any party to an action to compel the other parties to a mediation session prior to the scheduled trail date.

A list of new homes built by licensed residential builders that have the stronger 2-5-10 year home warranty insurance and homes built by owner-builders is planned for the Web site in the future.

third-party home warranty insurance

LICENSING — PERFORMANCE MEASUREMENT AND PLAN

Outcomes
Immediate

The licensing and warranty provisions of the *Homeowner Protection Act* work in tandem to ensure that builders meet minimum standards and, if a construction defect occurs, the homeowner is protected by home warranty insurance. The licensing and warranty requirements create a level playing field for the industry and increase builder accountability.

Non-compliance cases are continually investigated by the HPO. In most cases, unlicensed builders in violation of the *Homeowner Protection Act* are convinced to become licensed and provide home warranty insurance to homebuyers. In other cases, charges have been laid and licences have been restricted, suspended or canceled by the HPO registrar.

The public registry of licensed residential builders and building envelope renovators which is available on the HPO Web site enables the public to check the status of any licensee. Data collected from the licence applications assists the HPO to develop profiles of licensed builders and identify what training might be required in the future as a condition of licensing.

The mediation regulations allow one party of a residential construction dispute to compel the other parties to participate in a mediation session. Mediation often provides a more cost-effective and rapid method to settle residential construction disputes when compared with the court system. A high percentage of leaky condo disputes are being mediated.

Intermediate
(Goals)

As time progresses, residential builders who initially were working on projects that are not subject to the licensing and warranty requirements (homes built with building permits applied for prior to July 1, 1999), will eventually become licensed in order to work on new projects that are subject to the consumer protection regulations. As a result, more residential builders will become licensed over time.

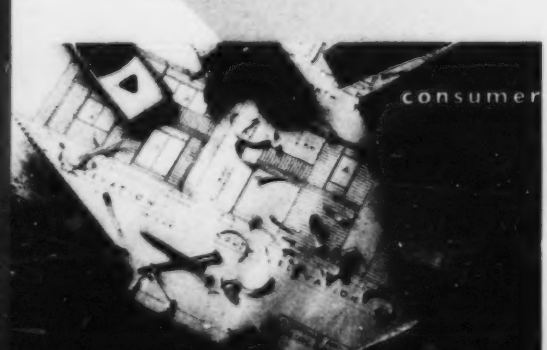
Since residential builders and building envelope renovators must now meet minimum standards, construction quality will increase and consumer confidence in the homes built and renovated by licensed builders will increase. Homes suffering from premature building envelope failures will also be repaired and the value in those homes will increase accordingly.

It is anticipated that an education and training component will be developed in the future and will become an added requirement of licensing. This requirement will ensure licensees are aware of technologies that will promote further increases in the quality of construction over the long-term.

Ultimate
(Strategic objectives)

Licensing and warranty requirements for both new home construction and building envelope renovations brings about increased consumer protection and improved residential construction both in the short-term and long-term.

As homes suffering from premature building envelope failures are repaired and new homes are built to higher standards, consumer confidence will be restored in the residential construction industry.



consumer protection
regulations

Strategies and Activities

The *Homeowner Protection Act* and regulations provide for licensing and mandatory, third-party home warranty insurance for new home construction and building envelope renovations. The Homeowner Protection Office is responsible for setting the standards for and monitoring the home warranty insurance system.

New homes constructed with building permits applied for on or after July 1, 1999 and building envelope renovations with building permits applied for after September 30, 2000 are subject to the licensing and mandatory home warranty insurance regulations. In geographic areas where building permits are not required, home warranty insurance must be in place prior to the commencement of construction.

Owner-builders, which are defined as persons who build detached dwelling units for their own personal use not more than once in any 18-month period, are exempt from the licensing and home warranty insurance requirements. However, owner-builders are deemed to agree to a 10-year statutory protection which makes them personally liable to subsequent purchasers for defects in the home. About 40% of the building permits issued in the province for detached dwelling units involve owner-builder exemptions. It is estimated that 35% of these building permits involve false or misleading owner-builder declarations. The majority of the HPO's compliance efforts are spent monitoring this exemption to ensure consumer protection.

The HPO meets regularly with stakeholders to provide information and discuss emerging warranty issues. Warranty information is also disseminated to the industry, homeowners and the general public through the toll-free information line, the Web site and through the distribution of print materials.

Outputs

Over 8,100 new homes constructed by licensed residential builders are now covered by the strongest construction defect warranty in Canada which includes 2 years on labour and materials, 5 years on the building envelope and 10 years on structure. Homes with applicable building envelope renovations are covered by home warranty insurance which includes 2 years on labour and materials and, if 60% or more of any wall is replaced, a 5-year water penetration warranty is also provided.

Home warranty insurance can only be provided by insurance companies approved by the Financial Institutions Commission and meeting the requirements of the *Homeowner Protection Act*. Five insurance companies are currently approved to provide home warranty insurance in the province.

Although owner-builders are not required to provide home warranty insurance on the homes they build for themselves, they are subject to the statutory protection provisions of the *Homeowner Protection Act*.

Non-compliance cases, which most often involve false, fraudulent or misleading owner-builder declarations, are investigated by the HPO to ensure consumer protection. Offences under the *Homeowner Protection Act* include penalties upon conviction of up to $25,000, imprisonment of up to one year or both for individuals. Corporations can receive penalties of up to $100,000, up to one year of imprisonment, or both.

British Columbia is currently in a home warranty transition period. Some new homes on the market are built by licensed residential builders and have the stronger mandatory 10-year home warranty insurance required by the *Homeowner Protection Act*. Other new homes built before the consumer protection regulations were implemented, have a variety of different warranties, or no warranties at all.

The Notice of Home Warranty regulations were brought into force to address this warranty transition period. As of August 1, 2000, vendors of new homes built with building permits applied for before the licensing and mandatory home warranty insurance regulations

came into effect on July 1, 1999, must provide homebuyers with a Notice of Home Warranty before accepting an offer to purchase the home. The Notice indicates the type, extent and expiration dates of any existing home warranty.

A standard 2-5-10 year warranty logo has been trademarked by the HPO for use by licensed residential builders in their efforts to market homes that meet the requirements of the *Homeowner Protection Act*.

Outcomes
Immediate

As a result of the mandatory home warranty insurance required for both new home construction and building envelope renovations, consumers are now better protected.

Since the warranty insurance providers are ultimately responsible for repairing defects in the home, they have risk-management strategies that help ensure quality construction. This increased quality is ensured through strict underwriting practices which require the review and approval of the builders' experience, expertise, sub-trades used and design plans. On-site inspections for quality construction are also conducted by warranty insurance providers. Under this new system, high-risk builders are unable to get home warranty insurance and, therefore, can not meet the licensing requirements of the Homeowner Protection Office.

The warranty insurance providers' obligation to provide a claims adjustment process and repair applicable defects in the home also ensures the selection of viable, long-term solutions for building envelope renovations and prevents homeowner-funded multiple repair attempts.

Warranty conditions such as standards of coverage, exclusions, and limits on coverage are now set by government. The regulations also require warranty insurance providers to repair construction defects within a reasonable period of time.

Intermediate
(Goals)

As time progresses, a greater number of homes will be protected by home warranty insurance. Fewer construction defects and claims will occur since the quality of construction will be ensured by the warranty insurance providers which are financially responsible for repairs.

Claims activity will continue to be monitored by the HPO to ensure the third-party home warranty insurance system is effective and adequately protects the consumer. Over time, the extent of the owner-builders' obligation to subsequent purchasers under the statutory protection requirements will be determined through private court actions.

Resale values of homes might also be affected by the home warranty insurance requirements. If a portion of the home warranty insurance is still in place at the time of sale, the homebuyer can rely on the warranty insurance provider to repair applicable defects in the home.

The introduction of the Notice of Home Warranty regulations and the standard 2-5-10 year warranty logo will decrease homebuyer confusion.

Ultimate
(Strategic objectives)

All new homebuyers will be protected by a warranty. Homes built by licensed residential builders will have the 10-year home warranty insurance. All owner-built homes will have the 10-year statutory protection which makes the owner-builder personally liable to subsequent purchasers for defects in the home.

The warranty insurance providers' financial obligation to repair defects and the resulting stringent underwriting practices will continue to bring about an improvement in the quality of residential construction. The increased consumer protection combined with an improvement in the quality of construction will bring about a renewal of confidence in the residential construction industry.

	CONSUMER INFORMATION	RESEARCH: NEW AND IMPROVED TECHNOLOGY	EDUCATION/TRAINING FOR INDUSTRY
Strategies and Activities	• Publications developed • Information sessions held for homeowners • Web site established • 1-800 line maintained	• Planning and managing building science research projects • Participation on BERC (Building Envelope Research Consortium) • Industry related publications developed • Provincial Advisory Council on Homeowner Protection formed • Development of links to educational institutions and agencies	• Research results prepared for industry audience • Publications developed for industry • Courses and information sessions planned
Outputs	• Publications disseminated to homebuyers and homeowners • Repair process seminars attended by 1,100 people • 200+ one-on-one sessions held with strata owners • 74,000 visits to Web site • 28,700 inquiries addressed on 1-800 line • Consumer surveys planned	• Building science research projects underway • Publications available • Information on R&E projects available on Web site and 1-800 line • Provincial Advisory Council on Homeowner Protection advises HPO • Advice provided on building envelope and code issues • Research integrated into education programs	• Publications available • Industry courses and information sessions planned and developed • Industry surveys planned
Outcomes Immediate	• Increased awareness and understanding of construction and consumer protection issues • Consumers better able to make informed decisions	• Research projects set the framework for construction improvements	• Awareness of construction quality issues increased • Information to bring about construction improvements available and implemented
Intermediate (Goals)	• More information accessible to homeowners and homebuyers • Owners of leaky homes are better equipped to manage the repair process • Complaints decrease	• Research results prepared for future education and training • Improved technology used for repairs and new construction • Construction practices improve • Decreased number of building envelope failures • Research on issues other than building envelopes considered	• More builders access and use improved technology • Construction quality and standards increase • Repairs more effective • Mandatory education and training for builder and renovator licensing planned • Decreased home insurance claims
Ultimate (Strategic objectives)	• Residential construction quality improves • Consumers better informed • Consumer confidence in residential construction restored		

As of September 30, 2000

Strategies and Activities

The Homeowner Protection Office is responsible for a research and education function to benefit homeowners and the residential construction industry.

Consumer information guides and bulletins have been developed and distributed to assist homebuyers and owners of leaky homes.

Free repair process seminars for owners of leaky homes and property managers continue to be held in the Lower Mainland and the southern part of Vancouver Island.

Topics include financial assistance available to homeowners, the building envelope, the regulations for licensing and mandatory home warranty insurance for building envelope renovations and legal considerations. The HPO presents these seminars with the assistance of local lawyers and engineers.

The HPO's Web site and toll-free information line provides a wide variety of information to homeowners and the residential construction industry.

www.hpo.bc.ca

Outputs

Consumer information publications and bulletins developed include: *Buying a New Home: a Consumer Protection Guide*, *Managing Major Repairs* which was created in partnership with the Ministry of Municipal Affairs and the Canada Mortgage and Housing Corporation (CMHC), Understanding Home Warranties, and highlights of the regulations for licensing and warranty insurance, home warranty disclosure and the mediation of residential construction disputes.

About 1,100 owners of leaky homes and property managers have attended the HPO's repair process seminars. Bulletins distributed to attendees include advice on hiring contractors, building envelope consultants and lawyers as well as information on the cost and process to manage a major building envelope renovation. The HPO also has participated in over 200 one-on-one sessions for strata owners to provide information on the no-interest repair loan program and the PST Relief Grant. Interpreters accompany HPO staff to the strata owner meetings in cases where a high percentage of the owners in a building are not English speaking.

Since the HPO's inception two years ago, the Web site has received 74,000 visits by different users. Over 28,700 inquires have also been addressed on the toll-free information line. Interpretation services in any language are also available on this 1-800 line.

Consumer surveys are being considered for the future to assess awareness of the HPO's programs and ascertain areas where more information would be beneficial to consumers.

information bulletins

Outcomes Immediate

The HPO's consumer information initiatives bring about increased awareness and understanding of construction and consumer protection issues. Owners of leaky homes are better able to manage the repair process and are aware of the financial assistance available. Homebuyers learn what resources are available and what information to collect to allow them to make more informed purchasing decisions.

The availability of interpretation services ensures that owners of leaky homes who do not speak English are informed about the condition of their building, their duty to repair the damage, repair options and associated costs. Access to this information for non-English speaking owners facilitates the approval processes necessary to repair the homes in a timely manner.

interpretation services

CONSUMER INFORMATION — PERFORMANCE MEASUREMENT AND PLAN

Intermediate (Goals)

The HPO's on-going consumer information initiatives will continue to increase the awareness and understanding of consumer protection and construction issues. A greater number of owners of leaky homes will make use of the information available though the HPO to proceed though the building envelope renovation process.

Ultimate (Strategic objectives)

Consumer confidence will increase as more homeowners have better access to timely and up-to-date information that will assist them to make more informed decisions.

up-to-date information

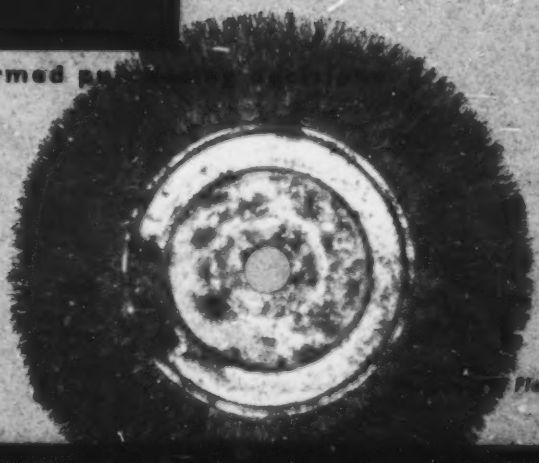
consumer

repair process seminars

protection

confidence

informed



RESEARCH: NEW AND IMPROVED TECHNOLOGY — PERFORMANCE MEASUREMENT AND PLAN

Strategies and Activities

The HPO's building science research projects are planned and managed in partnership with the residential construction industry. The office is also a member of the Building Envelope Research Consortium (BERC) which conducts several research projects to bring about an improvement in residential construction.

Publications that provide residential construction information to the industry are planned and produced as research is completed.

The *Homeowner Protection Act* provides for the establishment of a Provincial Advisory Council on Homeowner Protection (PAC) which:

- provides advice to the CEO and the Board on the main program areas of the HPO
- identifies new and emerging issues in the residential construction industry and makes recommendations to the HPO, and
- advises on the research and education components of the HPO particularly as they relate to building science matters, Building Code, cost effective building techniques and consumer education.

PAC was formed in 1999 and has representation from industry, labour, professionals, warranty insurance companies, local government and homeowner groups.

Working relationships with various educational institutions and agencies in the province have been developed to assist in building science research efforts and the possible delivery of future training programs for the industry.

Outputs

The HPO has several research projects underway including:

- monitoring the effectiveness of new and remediated wall assemblies
- a study on leak-proofing windows
- a study on high-rise residential construction technology
- building code issues
- a study on building envelope drying rates for various wall assemblies, and
- a best practices guide for builders.

A publication titled *Land Use Planning and Weather Protected Buildings* was developed to serve as a best choices guide to encourage local governments to review their land use bylaws and other policy or design related documents to bring about the development of improved wall assemblies. Other publications are planned as research efforts progress. Results of the building science research efforts will also be available though the HPO Web site and toll-free information line.

The 14-member Provincial Advisory Council meets regularly and advises the HPO on its research and education mandate.

In February 2000 the HPO held a one-day workshop on building envelope and building code issues. It was attended by over 40 individuals representing industry, government and professional organizations. Recommendations from this workshop will be fed into future code development and research initiatives.

The HPO's research and education function is funded by builder license fees and contributions from sector organizations. The office has committed $270,000 to residential construction related research projects this year. However, given the low level of housing starts and unrenewed contributions from sector organizations, the HPO is currently investigating alternate and additional sources of funding for the research and education program.

construction techniques

RESEARCH: NEW AND IMPROVED TECHNOLOGY — PERFORMANCE MEASUREMENT AND PLAN

Outcomes
Immediate

The commencement of building science research projects sets the framework for an improvement in residential construction over the long-term. The Provincial Advisory Council ensures that stakeholders have input into the research projects selected by the HPO.

The HPO, in partnership with CMHC and the Canadian Home Builders' Association of B.C. (CHBA BC), is developing a course for the residential construction industry involving building envelope technology. This course, referred to as the Builders' Toolbox, is anticipated to be delivered in 2001.

The HPO's workshop on building envelopes and the building code held in February 2000 have lead to further discussions on the use and interpretation of the Building Code.

Intermediate
(Goals)

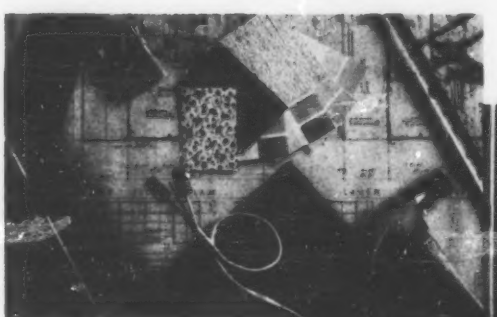
As the HPO's research programs progress, the findings will be developed into education and training materials for the industry. Technology transfer will result in improved construction standards and practices which will have a positive impact on both new home construction and building envelope renovations.

As more homes suffering from building envelope failures are repaired and the quality of construction increases, the HPO plans to contribute to building science research in areas other than building envelope performance.

Ultimate
(Strategic objectives)

Building science research initiatives, when combined with education and training, will bring about an improvement in the quality of residential construction over the long-term. This consistent improvement will encourage increased consumer confidence.

training



improved technology

EDUCATION AND TRAINING FOR INDUSTRY— PERFORMANCE MEASUREMENT AND PLAN

Strategies and Activities

The HPO is in its initial stages of planning education and training courses for the residential construction industry. As research programs are completed, the results are prepared for dissemination to the residential construction industry which is delivered through workshops, seminars and publications. Collaborative efforts with the industry will help facilitate the development and delivery of the training programs.

Outputs

The HPO, in cooperation with CMHC and the Canadian Home Builders' Association of B.C., is currently developing the Builders' Toolbox training course which will provide building envelope technology and suggest best practices for the industry. The delivery of this course is planned for 2001. Other information sessions and courses will be available as research progresses. Planned industry surveys will assist the HPO to assess the usefulness of the training programs offered and provide necessary feedback for future programs.

Outcomes
Immediate

Education and training over the short-term will increase awareness of construction quality issues. The industry will have the knowledge to implement new or improved technologies.

Intermediate (Goals)

Over time, a greater number of builders will have access to improved technology. New skills and improved construction practices will result in more effective building envelope repairs and new home construction. It is anticipated that education and training courses for licensed residential builders and building envelope renovators will be required in future years. Improved construction practices will also decrease the number of home warranty insurance claims in the long-term.

Ultimate (Strategic objectives)

Training and education will bring about a long-term improvement in the quality of residential construction. As construction quality increases and insurance claims for construction defects decrease, consumer confidence in the industry will be restored.

knowledge

education and training sessions

FINANCIAL ASSISTANCE FOR OWNERS OF LEAKY HOMES

Strategies and Activities

- No-interest repair loan applications received
- PST Relief Grant applications received
- Advice on financial assistance provided to homeowners

Outputs

- 4,244 homeowner loans approved totaling $90 million
- 18 co-operative housing loans approved (932 units) totaling $32 million
- $1.3 million in PST Relief Grants approved

loan approval

Outcomes
Immediate

- Homeowners keep homes who otherwise might have lost them
- Availability of financial assistance facilitates more rapid approval of repair options
- Only viable, long-term repair solutions selected

loan repayment

Intermediate (Goals)

- Increased value in repaired homes
- Fewer loan applications anticipated over time
- Most repairs are effective solutions
- Loans repaid

Ultimate (Strategic objectives)

- All homes suffering from premature building envelope failures repaired
- Market value of homes increase
- Affected homeowners regain financial stability

As of September 30, 2000

FINANCIAL ASSISTANCE — PERFORMANCE MEASUREMENT AND PLAN

Strategies and Activities

The Homeowner's Reconstruction Loan Program was initiated when the office opened in October 1998. Its purpose is to provide no-interest repair loans to owners of leaky homes whom otherwise might have lost their homes due to the cost of repairs. In its first two years of operation, the HPO received 5,329 applications from homeowners and 24 applications from leaky co-operative housing.

The PST Relief Grant is administered by the HPO on behalf of the province. This tax-relief rebate is available to all owners of leaky homes that have completed building envelope repairs to their homes on or after June 28, 1998, the date the *Homeowner Protection Act* was passed.

The HPO has received applications from 91 buildings representing 3,355 homes. The relatively low number of applications received to date indicate that many homeowners have not completed, or perhaps even started, repairs to their homes. It is also an indication of future demand for both the no-interest loan program and consumer information initiatives.

The HPO provides information to owners of leaky homes through free public information sessions, one-on-one meetings with strata owners and publications made available.

Outputs

Given the current loan application approval rate of 85%, the HPO had approved 4,244 no-interest homeowner loans and 18 loans to co-operative housing totaling $122 million. About 5% of the applications are in process at any given time. By September 2000, the PST Relief Grant program had been in existence for one year and $1.3 million in grants had been issued to homeowners with completed building envelope repairs.

outputs

Outcomes

Immediate

Since the inception of the Homeowner's Reconstruction Loan Program, financial assistance has been available enabling homeowners to avoid foreclosure situations due to the excessive cost of repairs. This availability of financial assistance to those homeowners most in need has facilitated more rapid approvals of special assessments required for condominium repairs. Access to repair loans has, in some instances, also resulted in more rapid repairs which reduces the risk of further damage over time and subsequent increased repair costs.

Requirements for a building envelope repair certificate signed by a qualified engineer or architect prior to the approval of a loan ensures that only viable, long-term repair solutions are carried out. This eliminates the possibility of inadequate repairs and significantly decreases the chances for multiple repair attempts.

As of September 30, 2000, the date the building envelope renovation regulations came into force, the HPO only approves no-interest repair loans on buildings which will be repaired by licensed building envelope renovators who provide home warranty insurance. This requirement is further assurance that only long-term repair solutions are implemented.

outcomes

Intermediate (Goals)

The June 1998 Barrett Report estimated about 50,000 units are affected by the leaky condo crisis. The HPO, has been involved with 700 buildings (condominiums and co-operative housing) representing over 42,000 homes with an estimated total repair bill of $900 million. As a greater number of homes are repaired and repair strategies selected are usually effective solutions, demand for the no-interest repair loan program will decrease over time. Once homes are repaired, value will increase accordingly. As time progresses, the loans will be repaid by homeowners.

Ultimate (Strategic objectives)

Over time, all residential buildings suffering from premature building envelope failures will be repaired. The market value of these homes will increase accordingly. Most homeowners will regain financial stability.

repair strategies

applications

financial assistance

free public information sessions

tax relief

Information Available

Consumer Related

- *Buying a New Home: A Consumer Protection Guide*
- *Options for Resolving Residential Construction Disputes*
- *Managing Major Repairs: A Condominium Owner's Manual*
- Managing Leaky Condo Repairs – A video (available in English and Cantonese)
- Homeowner's Reconstruction Loan application package
- PST Relief Grant application package
- Information bulletins
  - Understanding Home Warranties, Important Information for Homebuyers
  - Highlights – No-interest Loans for Leaky Co-operative Housing
  - Highlights of the PST Relief Grant Program
  - Four-Step Approach to Managing a Major Repair (English and Chinese)
  - Selecting a Building Envelope Consultant (English and Chinese)
  - Selecting a Contractor (English and Chinese)
  - Selecting a Lawyer (English and Chinese)
  - Tendering the Building Envelope Renovation
  - Building Envelope Renovation Costs and Timelines
  - What is a Building Envelope
  - Financing the Building Envelope Repair (English and Chinese)
  - Guide to the Homeowner's Reconstruction Loan Program
  - *Strata Property Act*, Responsibilities of Strata Councils
  - Leaky Condo Alert - Important Information on Filing Leaky Condo Claims
  - Assistance to Chinese Speaking Callers (English and Chinese)

Residential Construction Sector Related

- *Land Use Planning & Weather Protected Buildings, A Best Choices Guide for Local Government*
- Residential Builder Licence Application and Agreement
- Residential Builder Licence Renewal Application and Agreement
- Building Envelope Renovator Licence Application and Agreement
- Building BC newsletter
- Public registry of licensed residential builders – Web site only
- Public registry of Licensed Building Envelope Renovators – Web site only
- Commission of Inquiry into the Quality of Condominium Construction in British Columbia Part 1, Part 2 Vol. 1, Part 2 Vol. 2 – Web site only
- Notice of Home Warranty form
- Information bulletins
  - How to Become a Licensed Residential Builder
  - How to Become a Licensed Building Envelope Renovator
  - Important Information for Owner-Builders
  - List of Home Warranty Insurance Providers
  - Home Warranty Disclosure

Acts and Regulations

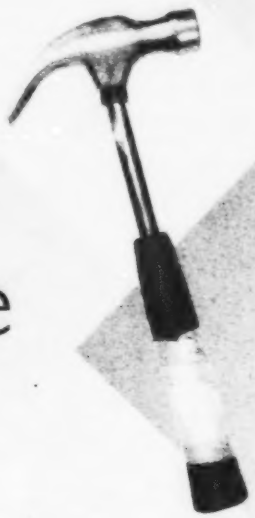
- *Homeowner Protection Act*
- Consolidated *Homeowner Protection Act* Regulation [B.C. Reg 29/99] (new home construction)
- *Homeowner Protection Act* Building Envelope Renovation Regulation and amandment
- Notice to Mediate (Residential Construction) Regulation [B.C. Reg. 152/99] – Web site only
- Information bulletins
  - Highlights - *Homeowner Protection Act* Regulations for Licensing and Mandatory Third-Party Warranty Insurance for New Residential Construction
  - Highlights - *Homeowner Protection Act* Regulations for Licensing and Mandatory Third-Party Warranty Insurance for Building Envelope Renovations
  - Highlights - Notice to Mediate for Residential Construction Disputes

Homeowner Protection Office

quality construction

consumer protection

- *2,185 residential builders licensed*
- *8,132 new homes constructed by licensed residential builders that have the stronger 10-year home warranty insurance*
- *4,244 no-interest repair loans approved for homeowners totaling $90 million*
- *18 housing co-operatives representing 932 units approved for no-interest repair loans totaling $32 million*
- *$1.3 million in PST Relief Grants approved*
- *Building science research underway*
- *Condominium Repair Process Seminars attended by 1,100 people*
- *Over 200 one-on-one sessions held for strata owners of leaky residential buildings*



restoring confidence

education

and training